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SUBJECT: GOC RECEIVES POOR GRADES ON RETURNS-RELATED ISSUES

REF: A. (A) ZAGREB 1474

[1](#)B. (B) ZAGREB 1084

[1](#)C. (C) STATE 96439

Classified By: Darren Taylor, Political Officer, for reasons 1.5 (b) and (d).

SUMMARY

[1](#)1. (C) Since its declarations this spring and June 12 initiative aimed at providing subsidized housing to refugees who enjoyed "tenancy rights" under the old Yugoslav system, the GOC has made little progress on key return-related issues. The number of refugees returning to Croatia lags behind those in recent years. Representatives from key IC organizations, including UNHCR, OSCE, and the European Commission, agree that the government's performance on a number of issues, including repossession of property, evictions, and rental compensation, remains poor. We will need to work with others in the IC to keep the pressure on the government to produce results. There is some debate, however, over how hard to press -- particularly right now. This is a politically sensitive time for the Croatian government, with elections expected in November. End Summary.

GOC Makes Promises On Return Issues(

[1](#)2. (C) Earlier this spring and prior to its submission of its application for EU membership, the GOC made a series of promises to resolve key issues related to refugee returns. More specifically, the GOC pledged to resolve by year-end the almost 7,000 cases involving property repossession to pay rental compensation to owners -- primarily Serbs -- who were not able to occupy their homes, to evict mostly Croat double and illegal occupants (those who were illegally occupying homes at the same time they owned property in one of the former Yugoslav republics, or who simply were not entitled to housing care from the state), and to increase significantly the pace of reconstruction of property for Serb owners. The GOC vowed that, by taking these actions, most of the issues affecting returns would be resolved by the end of this year. The government expected that about two years would be needed to complete the property reconstruction process.

[1](#)3. (C) In June, after considerable pressure from the international community and growing complaints about the lack of GOC progress on returns, the government promised to take a comprehensive approach to refugee returns by adopting legislation providing housing assistance to refugees who wanted to return to Croatia (REF A). This policy covered those mostly Serb owners who were former occupancy/tenancy rights holders under the old Yugoslav system. The program was to offer the holders the option of renting or buying a home at subsidized prices. From the GOC perspective, adopting such legislation was the final piece of the puzzle that would resolve the refugee issue altogether. GOC leaders vowed to provide the IC with a detailed implementation plan for the housing program within 30 days after its announcement. "Housing is no longer an obstacle for refugees seeking to return to Croatia," Prime Minister Racan said after he invited all Serb refugees to return to Croatia. However, no such plan has been offered to date.

(While the IC sets Benchmarks

[1](#)4. (C) Meanwhile, the international community -- including OSCE and EC -- has sought to keep the pressure on the GOC. In its March report, the European Commission set specific benchmarks that the GOC must meet, some by the end of the year, others by March 2004 (REF B). The report stipulated that the GOC must show concrete progress on repossession, reconstruction, and compensation for lost occupancy/tenancy rights. It also called on the GOC to resolve the issue of repossession by the end of the year. That said, while remaining firm that Croatia must honor its commitments, Jacques Wunenburger, head of Zagreb's EC mission, conceded to the Ambassador on September 30 that he doubted the GOC's record on refugee returns would hold up Croatia's bid for EU membership -- in this respect, the government's cooperation with the war crimes tribunal loomed much larger.

15. (C) The OSCE noted in its July Status Report on Croatia that much progress was still needed on repossession, evictions and housing reconstruction. It noted that the pace of returns had slowed down. The report also highlighted interviews with Serb refugees who cited housing problems as well as legal, administrative, and psychological barriers as key obstacles to their return and reintegration into Croatian society. OSCE officials noted that the Croatian government would likely receive a more critical report during its evaluation in the fall if it did not make significant

progress on the key issues of concern raised by the OCSE.

16. (C) In the July joint monthly report produced by UNHCR and the OSCE, UNHCR noted that the GOC has not created a favorable environment, particularly in the war-affected regions, for the return of refugees. Many refugees continue to face "discriminatory practices" in terms of medical, social, and humanitarian assistance from the government leaving them in extremely vulnerable situations. UNHCR called on the government to implement legislation immediately aimed at improving the overall conditions of refugees who have already returned and for those seeking to return.

That was Then, This is Now

17. (C) EC, OSCE and UNHCR officials have told us that the GOC has not made as much progress as expected on repossession, reconstruction, compensation, and implementing the new housing program. They also note that meetings with GOC officials in recent weeks have not gone well. The GOC appeared to be backtracking on its commitments and taking a more hostile attitude when sensitive issues related to the government,s performance were discussed.

18. (C) The EC mission,s point person on returns, Alfons Peters, told us that while the government has made significant progress on reconstruction, it has not made much progress on the repossession of property, rental compensation, and implementing the new housing program. The government would not meet its self-imposed year-end deadline for solving all of the property repossession cases (some 2,000 cases would be left unresolved). Peters believed that a major reason for the government,s problems was a lack of communication among the relevant ministries and a lack of expertise. He told us that the EC mission would probably give the GOC the benefit of the doubt and accept a longer implementation period as long as the GOC could present an acceptable program of action to resolve the outstanding issues.

19. (C) The Head of the Return and Reintegration unit at the OSCE mission, Axel Jaenicke, told us that the GOC,s performance over the past three months was dismal. Almost 5,000 repossession cases were unresolved, some 15,000 applications for reconstruction assistance remain without a formal decision, and the government,s rental compensation plan has been a "miserable failure." Only a few hundred owners, out of an initial group of 4,000 claimants, have received some form of payment and those were not for the proper amounts. The program lacks transparency, and its guidelines make it difficult to determine who is eligible to receive compensation and for what amount. Even more discouraging are reports that GOC officials in different jurisdictions are encouraging Serb owners not to apply for compensation. Jaenicke said that the OSCE was in the process of determining what message the mission would send about the GOC,s performance in two upcoming reports, including the Mission,s official status report due in November.

110. (C) UNHCR Head Bajulaiye told us that he was very disappointed with the GOC's recent progress. He described a recent meeting that he and his EC and OSCE counterparts had with Reconstruction Minister Cacic in which Cacic himself gave a somber assessment of the GOC,s performance on return-related issues. Cacic stated that the government would not meet its self-imposed deadlines and those set by the IC, particularly in resolving all of the property repossession cases. Cacic further admitted that little progress had been made in implementing the new housing program announced on June 12, and that the GOC has failed to provide the IC with a detailed implementation plan as promised by July.

111. (C) Bajulaiye left the meeting feeling that not much had been accomplished except more GOC promises, which will not be fulfilled. He cited an incident last month in which ODPR Head PejkoVIC threatened to raise complaints at UNHCR headquarters against his UNHCR counterparts from BiH and Serbia and Montenegro when they voiced concerns about the GOC,s commitment to the returns process. He also cited the hostile responses of senior GOC officials to the most recent Human Right Watch Report, which was highly critical of the

GOC,s performance on refugee and minority issues, as another counterproductive action by the GOC. Bajulaiye vowed not to sugar coat any UNHCR reports on the GOC's progress in coming months.

GOC Appealing for More Time

12. (C) When we met with Pejkovic last week to get the GOC,s perspective, we found him in a much more somber mood than usual. His office has been under increased pressure from the

government as refugee-related questions were among the most important ones the GOC has to respond to as the GOC prepared answers to the EU questionnaire. In recent weeks, his staff has had to focus solely on preparing a response to the EU questions, which had forced him to place other returns-related issues on the back burner. He argued that repossession, evictions, and compensations were extremely complex issues and required a functioning judiciary system, which Croatia did not have at the moment. He pleaded for more time. There are some 19,000 claims for reconstruction and 4,600 repossession cases that must be resolved.

13. (C) Pejkovic predicted that it would be more difficult to resolve property repossession in regions such as Knin, Benkovac, and Obrovac because of a substantial extremist presence. Taking drastic actions would increase ethnic hostilities and lead to open conflicts between the local populations and returning refugees. Pejkovic noted that the information campaign designed to inform refugee populations in BiH and Serbia and Montenegro about the GOC,s housing program will start at the end of the month. The GOC had already included funding for the construction of 1,500 apartments in next year,s budget. He predicted that a total of about 5,000 apartments would be needed as he expected a similar number of applicants would qualify and want to participate in the program.

While Returns Continue to Spiral Downward

14. (C) The most recent UNHCR and GOC figures show that refugee returns continue to decline. In the first seven months of this, some 5,860 refugees have returned to Croatia from BiH and Serbia and Montenegro. This is compared to a total of 9,640 returns in 2002 and 10,572 returns in 2001 based on ODPF figures. UNHCR figures indicate that as of the end of July there were 6,400 returns to Croatia this year compared to a total of 11,000 returns all of last year. With the returns season ending in August, UNHCR does not expect a spike in returns over the remaining three months of the year as the winter months approach. UNHCR estimates that there may be up to 1,000 more returns by year-end but not more.

Comment

15. (C) The Racan government has demonstrated again it is content to make declarations expressing its commitment to the returns process without following through on implementation -- a dichotomy that the government makes no effort to hide. Senior GOC officials have not publicly raised the housing program initiative since it was first announced in June, and there have been few if any evictions. Despite specific deadlines, many GOC officials overseeing refugee returns took the entire month of August off for holidays and spent September working on the EU questionnaire instead of on return issues. Pejkovic said that substantial progress will probably not be made until next year after a new government is formed.

16. (C) On refugee-related issues, Croatian government officials may be sensing fatigue on the part of their international critics. We are taking steps to combat this perception and to keep the GOC focused. While the upcoming parliamentary elections will make it difficult to engage senior leaders on the refugee problem, we intend to propose that returns be raised at the upcoming review of Croatia's NATO Annual National Program in Brussels. Until a new Croatian government is seated, we will focus on building consensus for a consistent international community stance on refugee return issues. We will also seek opportunities to engage at the local level to remind officials of our continued interest and expectation of results. Once a new government is seated, engaging key officials early and often will be part of our effort.

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